

Finding of No Significant Impact and Record of Decision

Type of Action: Application for Permit to Drill, 3100.00
Right-of-way, 2884.01

Serial Numbers: AA-085574, AA-085503, AA-085494, AA-085486, FF-94439

Applicant: FEX L.P. Inc.
3400,888 – 3rd St., NW
Calgary, AB T2P 5C5 Canada

District: Fairbanks District Office, Arctic Field Office

Planning Unit: National Petroleum Reserve in Alaska (NPR-A), Northeast and Northwest Planning Area

Lands Involved: The lands are described as proposed drilling locations within lease tracts (right of way legal description can be found in the referenced case file) in the following locations:

T15N, R11W, Sec. 15, Umiat Meridian (Aklaq #1)
T15N, R11W, Sec. 15, Umiat Meridian (Aqlaq #1A)
T15N, R12W, Sec. 29, Umiat Meridian (Aklaq #2)
T15N, R12W, Sec. 31, Umiat Meridian (Aklaq #2A)
T15N, R12W, Sec. 34, Umiat Meridian (Aqlaq #2B)
T14N, R14W, Sec. 23, Umiat Meridian (Aklaqyaaq #1)
T13N, R14W, Sec. 7, Umiat Meridian (Amaguq #1)

Environmental Assessment Summary:

The applicant, FEX L.P. Inc. (FEX), proposes to conduct winter season oil and gas exploration drilling activities. The proposed action consists of drilling up to 8 wells on 7 locations over 2 years with access for each year. The proposed action includes a combination of access methods (snow trails, ice roads, and ice runways) with all stationary work occurring on existing permanent gravel and temporary ice work pads.

The majority of the proposed work will occur in the Northwest NPR-A Planning Area, however access to the sites may be through all or a portion of the Northeast NPR-A Planning Area. The proposal follows the drilling exploration design reviewed in the existing NPR-A Integrated Activity Plans and Environmental Impact Statements (IAP/EIS) for both the Northeast and Northwest Planning Areas. The proposal was also prepared to be consistent with the stipulations and Required Operating Procedures (ROP)s presented in the Northeast and Northwest IAP/EIS Record of Decisions (ROD), signed October 7, 1998, and January 22, 2004 respectively.

The stipulations were prepared by the Bureau of Land Management (BLM) to fulfill the decisions of the IAP/EIS. The following excerpt from the Northeast NPR-A ROD explains the goal of the plan and stipulations:

The plan emphasizes restrictions on surface activities, consultation with local residents, and coordinated scientific studies to protect wildlife habitat, subsistence use areas, and other resources. At the same time it makes approximately 87 percent of the planning area available for oil and gas leasing. In reaching the decisions embodied in this Record of Decision (ROD), BLM has received extensive assistance from other Federal agencies, the State of Alaska, the North Slope Borough, and thousands of individuals and institutions who have shared their knowledge and insights about the resources and values associated with the planning area. (ROD, page 1)

A similar statement can be found in the Northwest IAP/EIS ROD on page 3.

Although this is the first oil and gas exploration project under the guidance of the Northwest NPR-A IAP/EIS ROD, BLM has extensive experience overseeing winter exploration activities in the arctic environment. The EA evaluates the proposed action and incorporates, by reference, previous relevant studies and findings on exploration in the Northeast NPR-A, and the North Slope in general. On-the-ground inspections and discussions were jointly held with the applicant and BLM staff members who contributed to the EA. The applicant discussed its project proposal with local residents in local village meetings over the last year as noted in the EA (Table 10). The applicant has presented and discussed this project with the Subsistence Advisory Panel (SAP) as required by the Northwest NPR-A ROD. Since one of the project components (Aqlaq #1) was located inside the statutorily defined Coastal Zone, an Alaska Coastal Management Plan (ACMP) Final Consistency Determination was obtained (November 14, 2005).

The original project proposals for NPR-A winter drilling projects underwent modifications as they worked their way through the numerous government permitting processes (municipal, state, and federal). The project plan underwent further modifications as FEX worked with the public, BLM and the 3rd party EA contractor to discuss, analyze, and mitigate potential impacts. In addition to consideration of the direct, indirect, and cumulative impacts of the proposed action and the mitigation measures from the ROD, all of which will be applied, the BLM also considered site-specific mitigation measures incorporated in other agency permits. Stipulations and restrictions developed by the various agency review processes and this EA include: ensuring that ice road/bridge crossings of fish-bearing streams are designed to minimize disturbance of fisheries, analyzing water requirements from lakes in the region and modifying water removal limits of certain lakes, and designing snow roads (packed snow or hardened snow trails) as an option to single use trails and ice roads.

The State of Alaska has issued authorizations to take water and ice aggregate from the lakes in NPR-A on October 11, 2005 and for all proposed fish stream crossings on November 18, 2005. The EA evaluated these authorizations, and BLM concurs with the State authorizations.

Impacts from the proposed action on fish and wildlife are expected to be only brief, localized, minor disturbances with no with no cumulatively significant impacts when considered together with other activities either past present, or future, that may impact the area. No impacts are expected to threatened or endangered species and only very minor effects are foreseen for soils and vegetation, with no loss of diverse habitat types. These minor impacts are mitigated effectively by requirements of travel only when the ground is frozen and when there is adequate snow cover. Minor, temporary impacts on air and water quality are mitigated effectively through the various agency permits and requirements. Company standard practices reinforced by lease stipulations promote careful storage, handling, and disposal of fuels, drilling materials, and wastes (including drilling wastes, domestic wastewater, and solid wastes).

The applicant has established a communication process with local, state, and federal governmental entities, local non-government groups, and local residents. The proposed action incorporates the recommendations of these groups to ensure that the program is technically feasible and environmentally sound.

It is concluded that the stipulations and ROPs included by the Secretary of the Interior in the RODs for the Final IAP/EIS for the Northeast and Northwest NPR-A (1998, and 2004 respectively), other agency permit requirements and North Slope techniques and procedures proposed to be used by the applicant, and mitigation and monitoring measures incorporated into the applicant's exploration plan are adequate to assure protection of the environment, of subsistence resources and access thereto, and of resources within the Northeast and Northwest NPR-A Planning Areas. As a result, no significant impacts are expected from this proposed action. Cumulative impacts have been described in this EA and it has been determined that no significant cumulative effects will result from this action combined with the effects of other past, present, and reasonably foreseeable future oil and gas activities in the area.

The EA and this FONSI also considers potential effects of the proposed stipulations and ROPs described in the 2005 Northeast National Petroleum Reserve-Alaska Final Amended Final Integrated Activity Plan/ Environmental Impact Statement, and is consistent with the mitigation proposed in that plan.

Related Environmental Documents

This EA is tiered to a number of environmental documents that are referred to and also incorporated in the EA. However, the primary documents used include:

- Environmental Assessment (AK-023-03-008), National Petroleum Reserve - Alaska (NPR-A) Exploration Drilling program, Puviat #1 and #2 Exploration Wells. USDOI BLM, Alaska, Northern Field Office, December 2002.
- Environmental Assessment (AK-023-04-005), National Petroleum Reserve – Alaska (NPR-A) 2003 – 2008 Exploration Drilling Program, Total E&P USA, Inc. USDOI BLM, Alaska, Northern Field Office, December 2003.
- Alpine Satellite Development Plan Final Environmental Impact Statement. BLM in Cooperation with State of Alaska, US Army Corps of Engineers, U.S. Coast Guard, and U.S. Environmental Protection Agency. September 2004.
- Northeast National Petroleum Reserve-Alaska Final Integrated Activity Plan/ Environmental Impact Statement. BLM, in cooperation with the Minerals Management Service. August 1998.
- Northwest National Petroleum Reserve-Alaska Integrated Activity Plan/Environmental Impact Statement. BLM, in cooperation with the Minerals Management Service. November 2003.
- Northeast National Petroleum Reserve-Alaska Final Amended Final Integrated Activity Plan/ Environmental Impact Statement. January 2005.

Public Access to the Process

Notices of Staking were posted as required by Onshore Order No. 1 on August 4, 2005 in the Anchorage Field Office and Fairbanks District Office of BLM.

The project proposal was made available and EA development began in September, 2005. An EA Index number was obtained from the Fairbanks District Office EA logbook on October 18, 2005. The EA was completed in December, 2005. A copy of the EA is available for review in the BLM Alaska State Office Public Room, 222 W. 7th Avenue, Anchorage, Alaska 99513-7599, and the BLM Fairbanks District Office, 1150 University Avenue, Fairbanks, Alaska 99709. It was also temporarily available on the internet at, <http://projects.ascg.com/NPR-A2006FEXEA>.

Public comments were solicited on the project through community meetings and a public comment period following the completion of the document. The public comment period closed on December 12, 2005. One written comment was received.

Public comments received through community meetings focused on the following issue:

Comment: Subsistence Concerns.

The public meeting process has given those who practice traditional activities in the project area such as trapping, hunting, and ice fishing an opportunity to connect with the leaseholder to make their concerns known. Public meetings have also provided an opportunity for local residents to communicate with the North Slope Borough and BLM to ensure that any traditional use areas and campsites are recorded. This information is used as part of the early route planning. For example, during the development of the project plan and the EA, where field studies showed that no fish exist in a lake, but local elders thought that fish might be present, we have added the traditional knowledge base to the scientific base including both approaches to protecting fisheries. This approach extends the duration of the analysis from days to generations. The North Slope Borough, the Inupiat Community of the Arctic Slope, and the Native Village of Barrow and interested individuals have all met with the leaseholder to discuss routes and protection of traditional use sites, private property, and other areas of cultural interest.

Written comments received during the public comment period

A written comment received from EarthJustice (representing the Alaska Coalition, Alaska Wilderness League, Audubon Alaska, EarthJustice, Natural Resources Defense Council, Northern Alaska Environmental Center, Sierra Club, and the Wilderness Society) during the public comment period is summarized below. The main points include:

The BLM's Northwest EIS and ROD are Illegal.

The Proposed activity requires an EIS.

The EA is insufficient

Lack of Site-Specific Data and Analysis

Assumptions about impacts are not appropriate in an EA

BLM must consider alternatives to the proposed action

The EA ignores the Maximum Protection Standard Applicable to Special Areas

Concerns about specific resources

Water

Wetlands

Caribou

Migratory Birds

This was the only comment received during the public comment period. A thorough evaluation of this comments led BLM to incorporate additional discussion into the EA after the public comment period.

Changes to the Plan of Operations and Additional Mitigation and Monitoring

FEX's project proposal was designed to meet the requirements of the IAP/EIS lease stipulations and ROPs for project features in Northwest and Northeast planning areas. No exceptions were requested. The action as proposed has been modified in response to various regulatory review processes, public comments, and to resolve logistical difficulties regarding access to remote areas of Northeast and Northwest NPR-A.

To answer the local public's expressed concerns over subsistence access and resource protection, FEX has hired local individuals to help monitor ice road construction and provide for subsistence representation on a daily level. These individuals are also assisting with identifying campsites and other areas of cultural interest.

Restricting this exploration program to the winter season is itself a valuable tool for environmental protection while allowing for energy exploration. In any decision making related to a program with seasonal restrictions seasonal variations must be taken into account. The BLM has attempted through the design of the EA to allow flexibility while restricting industry as necessary to meet the need for environmental protection.

Stipulations

The Northeast NPR-A ROD and the Northwest NPR-A ROD contain stipulations and ROPs developed through the IAP/EIS process. All of these stipulations and ROPs have been included as lease stipulations in the lease documents, rights of way, and permits and are binding on the project proponent, FEX. Relevant stipulations and ROPs are discussed and further evaluated in the EA. Stipulations are compared against the issues and evaluated against the need to meet specific resource protection requirements. The stipulations from the Northeast NPR-A ROD will be enforced on those activities occurring in the Northeast

Planning Area, while the stipulations and ROPs in the Northwest NPR-A ROD will govern activities occurring in the Northwest Planning area.

Among other requirements of the IAP/EIS, stipulations and ROP's protect surface resources and subsistence activities throughout the Northwest NPR-A. The plan protects key surface resource and use areas that were identified during the planning process and imposes strict restrictions on surface activities. The areas receiving special protections include wetlands, fish and wildlife habitat (including habitat for threatened and endangered species), subsistence use and access, water quality, vegetation, cultural and paleontological resources, and scenic and recreation values. (Northwest NPR-A ROD pg.4)

A similar statement can be found on page v of the Northeast NPR-A ROD.

A special stipulation for hardened snow trails will also be imposed. The summer reviews of roads and trails for the 2001 through 2005 season showed this approach to be successful in other exploration projects. The stipulation reads as follows:

- **Hardened Snow Trails.** Rolligons, Tucker Snow Cats and other vehicles with approval of the A.O. may place a trail with both approved techniques and locations for the purposes of creating a hardened snow trail. Hardened trails, similar to groomed ski trails allow for re-crystallization of the snow to create a hard surface. Hardened snow trails are intended for multiple trips over the same trail by low ground pressure vehicles. All other stipulations remain in effect.

Monitoring

BLM will monitor on the ground activities throughout the winter season. This will be accomplished through periodic on site compliance inspections of all project components including drilling and camping equipment; ice roads, pads, and other temporary facilities. BLM also conducts interviews with FEX's subsistence representatives, Alaska Clean Seas representatives, and FEX's health safety and environmental coordinators who will be conducting on-site monitoring for compliance with stipulations for the duration of the project. If any instances of non-compliance are observed, BLM will work with FEX to remedy the problem and install safeguards to prevent it from happening again in the future.

When winter activity ceases, BLM will continue to monitor the program through periodic on-site inspections to ensure that all standards have been achieved and that the areas of operation are clean and free of debris.

Findings and Conclusion

Section 104(b) of the NPRPA Authorized the secretary of the interior to designate special areas containing significant subsistence, recreational, fish and wildlife, or historic or scenic values, where all activities including oil and gas exploration and development, shall be conducted in a way that will provide maximum protection to the natural and cultural resources present. The Teshekpuk Lake Special Area encompasses important goose molting areas, caribou calving and insect relief habitat, and all of Teshekpuk Lake. It is of special importance to subsistence users because of the caribou and fish resources in the area, and long-standing subsistence use of the area. The Teshekpuk Lake Special Area is in both the Northeast and Northwest Planning areas. Maximum protection of the resources in the Teshekpuk Lake Special Area are achieved through adherence to all stipulations in the Northeast IAP/EIS, particularly stipulations 52-55, and through stipulations K-5, K-6 and ROPs E-10, E-11, E-12, K-1, and K-4 of the Northwest IAP/EIS.

The following findings are based on a comprehensive impact analysis done in compliance with Executive orders 11990 and 11988. The long-term effects of exploration and development activities both direct and cumulative in nature on wetlands, soils, water resources, and fresh estuarine water quality are expected to be insignificant (minimal to negligible) in this vast area and would be mitigated to the greatest extent practicable. No significant impacts are expected that would affect health, safety and welfare through changes in the supply, quality, recharge, discharge, and pollution of water, or, flood and storm hazards or

sedimentation and erosion. No impacts will occur that will result in long-term changes in the natural ecosystem, or, prevent normal uses of wetlands by the public for recreational, scientific, or cultural purposes. The BLM has sought to avoid and minimize impacts to wetlands caused by new construction by requiring facilities designed to be short term in nature with the smallest footprint possible. Total avoidance of wetlands in the area is not practicable, however extensive mitigation outlined in the Northeast and Northwest IAP/EIS RODs is fully implemented in this project. Furthermore, the long-term effects of exploration and development activities both direct and cumulative in nature on floodplains are expected to be insignificant (minimal to negligible) in this vast area and would be mitigated to the greatest extent practicable. No significant impacts are expected that would affect health, safety and welfare through changes in the supply, quality, recharge, discharge, and pollution of water, or, flood and storm hazards or sedimentation and erosion. Activities by design are short term and minimally impacting, therefore no impacts are anticipated that will result in long-term changes in the natural ecosystem, or, prevent normal uses of floodplains by the public for recreational, scientific, or cultural purposes. The BLM has sought to avoid and minimize impacts to floodplains by requiring innovative short-term facility designs with the smallest footprint possible. Total avoidance of floodplains in the area is not practicable, however all practicable mitigation has been outlined in the Northeast and Northwest IAP/EIS RODs.

The evaluation and finding completed to comply with Section 810 of ANILCA found no significant restrictions to subsistence resources or uses from this exploration plan beyond what has already been evaluated in the IAP/EIS which are incorporated into the EA. The Subsistence Monitoring Plan is intended to resolve subsistence concerns at a very early stage, thereby reducing or eliminating subsistence conflicts. The Subsistence Advisory Panel has reviewed this program in detail and added no additional requirements.

A “no effect” determination was made for the federally listed threatened species, spectacled eider and Steller’s eider, by a BLM biologist on October 26, 2005. The U.S. Fish and Wildlife Service issued a letter of concurrence on December 15, 2005. There are not expected to be any long-term, significant impacts to these threatened species.

A cultural clearance of the proposed project features in accordance with the NHPA was completed during July of 2005. Although there were 2 culturally sensitive areas identified, it was determined that the sites could easily be avoided and would not be affected by the proposed exploration activities. It was recommended that FEX be granted a cultural clearance on July 25, 2005.

A positive Coastal Zone Management consistency determination was obtained on November 14, 2005. No additional conditions were placed on that determination.

All practicable mitigation for this project has been incorporated through design elements of FEX’s project, lease stipulations, and Required Operating Procedures. An additional stipulation for hardened snow trails has also been included. BLM will be monitoring the activity throughout the duration of the project for compliance with stipulations/ROPs, to determine if the Standards are being met, and to determine the effectiveness of the stipulations for resource protection.

The decision to allow the Proposed Action does not result in any undue or unnecessary environmental degradation of the public lands. The Proposed Action is in conformance with the objectives outlined in the Northeast National Petroleum Reserve - Alaska Integrated Activity Plan / Environmental Impact Statement and Record of Decision signed on October 7, 1998, and the Northwest National Petroleum Reserve-Alaska Integrated Activity Plan / Environmental Impact Statement Record of Decision signed on January 22, 2004. All practicable alternatives and measures to reduce or eliminate impacts to wetlands and floodplains in the project area have been taken. The action, as proposed, is not in conflict with other resources in the area and is in conformance with current policy of the Arctic Field Office, BLM.

The proposed action and mitigating measures reviewed in the environmental assessment (EA # AK-023-06-003), is found to have no significant impacts on the environment and will cause no undue or unnecessary degradation to the public lands. The action takes place in the winter season utilizing temporary structures of snow or ice. No permanent structures or facilities will result from the proposal. The impacts from the proposed action are short term and minimal. The action is found to be in conformance with existing land use plans for the area.

Cumulative impacts are evaluated in the EA and the effects of all other past, present, and reasonably foreseeable future activities in the area, combined with this project are not cumulatively significant.

The evaluation and finding done to comply with Section 810 of ANILCA found no significant restrictions to subsistence uses or resources.

Recommendation:

The preparation of an Environmental Impact Statement is not recommended.

It is recommended that the Application for Permit to Drill (APD) and associated permits and rights of way be approved as described in the applicant's Plan of Operations with the addition of the hardened snow trails stipulation.

Applications for Permits to Drill are recommended to be approved under the authority of 43 CFR 3160. The applicant shall be subject to the EIS/IAP ROD stipulations and ROPs, and the mitigating measures incorporated into the applicant's Plan of Operations, as well as regulations contained in 43 CFR 3160 through 3163, On Shore Orders, and Notices to Lessees.

Associated rights of way are recommended to be approved under the authority of 43 CFR 2361.2.

The action is consistent with the purposes of the Naval Petroleum Reserves Production Act of 1976 (NPRPA, P.L. 94-258).

Recommended by:

Darek Huebner
Natural Resource Specialist

Date

Decision:

I have reviewed this environmental assessment including the explanation and resolution of any environmental impacts. I have determined that the proposed action with the mitigation measures described therein will not have any significant direct, indirect, or cumulative impacts on the human environment and that an EIS is not required. I have determined that the proposed project is in conformance with the approved IAP. It is my decision to authorize the proposed action including Permits to Drill on NPR-A Oil and Gas leases. The environmental protection measures afforded by the Northeast and Northwest NPR-A ROD stipulations and ROPs and the additional stipulation of the EA and FONSI (hardened snow trails) are to be included in all permits.

Rationale for Decision:

The decision to allow the Proposed Action does not result in any undue or unnecessary environmental degradation of the public lands. The Proposed Action is in conformance with the objectives outlined in the Northeast National Petroleum Reserve - Alaska Integrated Activity Plan / Environmental Impact Statement and Record of Decision signed on October 7, 1998, and the Northwest National Petroleum Reserve-Alaska Integrated Activity Plan / Environmental Impact Statement Record of Decision signed on January 22, 2004. This EA is tiered to these documents, and the documents are incorporated by reference. All practicable alternatives and measures to reduce or eliminate impacts to wetlands and floodplains in the project area have been taken. The action, as proposed, is not in conflict with other resources in the area and is in conformance with current policy of the Arctic Field Office, BLM.

Finding of No Significant Impacts:

Based on the analysis of potential environmental impacts outlined in Environmental Assessment, (EA # AK-023-06-003) and the Northwest and Northeast IAP/EISs and other environmental documents incorporated into this analysis, I have determined that impacts are not expected to be significant and an environmental impact statement is not required.

The evaluation and finding done to comply with Section 810 of ANILCA also found no significant restrictions to subsistence uses or resources.

_____ Date _____

Lon Kelly
Field Manager, Arctic Field Office